

(Security Classification)

FOREIGN SERVICE DESPATCH

FROM : Amembassy TEHRAN

DESP. NO.

STAT

TO : THE DEPARTMENT OF STATE, WASHINGTON.

January 18, 1960

DATE

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For Dept. Use Only	ACTION	DEPT.
	REC'D	OTHER
	NEA-3	IN AIR-2 Ref-1 IRC-8 E-3 ICA-11 EUR-5
	1-27-60	Com-17 IN-7 OSD-4 TAR-2 CIA-10 ARMY-4

SUBJECT: Khor Musa Project Still Alive

NAVY-3
AIR-3

The reference despatch noted that the National Iranian Oil Company had contracted with Constructors John Brown for a survey of the practicality of exporting the products of the Abadan refinery through some new terminal not located on the Shatt-al-Arab, and more particularly the practicality of dredging the Bahmashir River to make possible the construction of such a terminal on the east side of Abadan Island.

The reporting officer has recently reviewed the status of this project with Mr. Said NAGHAVI, the Assistant Director of the Production (refining) Department of the NIOC and one of the Iranian officials most concerned with it. He states that the project is off on a new tack, but that it has by no means been dismissed.

Apparently the most preliminary observations made by Constructors John Brown indicated that any attempt to make the Bahmashir navigable would depend upon a diversion of the waters of the Karun River or possible even diversion of the waters of the Shatt itself. Iranian officials quickly came to a realization that this would have too many political implications vis-a-vis Iraq. As a consequence, the idea of using the Bahmashir has been given up; at the same time the contract with the Constructors John Brown was cancelled.

NIOC is now itself engaging in a restudy of the Khor Musa scheme--reviewing and to a large extent depending upon information and ideas gleaned from the prospectuses submitted last Spring by the ten international construction firms which were interested in bidding on the project. Mr. Naghavi believes that the project can be cut down to about \$50-million--by the elimination of the tennis courts and the other frills. He says that NIOC is also greatly interested in a new submission by Williams Brothers which would put the loading at the new port on a push-button basis, controlled from Abadan. In other words, the tankage at the Khor Musa port would be eliminated, as would most of the community construction which was called for in NIOC's original tender. All that would remain, essentially, would be the berthing and loading facilities.

/Additionally/

MR Rutherford/ac

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from Tehran

Additionally, Mr. Naghavi said that more study is being given to the idea of adding to Bandar Mashur (the Consortium's present crude terminal) the limited facilities necessary to load out the products exported in greatest bulk--residual fuel oil and perhaps motor gasoline. Under questioning, Mr. Naghavi admitted that some of the prognostications which NIOC had received regarding the future growth in the size of product tankers had been exaggerated and that it was much more likely that for years to come Abadan's products could effectively be taken out by tankers of a size not too large to navigate the Shatt.

Of some interest, Mr. Naghavi said that the Khor Musa project will be presented by the Iranian Government to CENTO for consideration as a regional ports project. He noted that, in the first instance, it would not seem to be appropriate for regional support because of the fact that Abadan is not scheduled for any increase in capacity whereas it is Iran's crude oil loading capacity which is on the increase. Nevertheless, he said, support of the Khor Musa project will be in the interest of the regional members, and the U.S. and the U.K., because of the political importance of Abadan as an industrial community in Iran. It would be disastrous to Iran--and thus critical to the other members of CENTO--if anything untoward were to happen to Abadan. Abadan cannot be allowed to go down hill, just because free access to the Shatt is denied Iran by Iraq.

COMMENT: Mr. Naghavi's latest thinking reflects some increased Iranian realism in regard to the Khor Musa scheme, but there still appear to be certain basic inconsistencies and without question a continuing absence of any hope--or desire--for conciliation with Iraq.

FOR THE AMBASSADOR:

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